

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7072

BILL NUMBER: HB 1113

DATE PREPARED: Jan 4, 2002

BILL AMENDED:

SUBJECT: White County food and beverage tax.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

LOCAL IMPACT	CY 2002	CY 2003	CY 2004
Local Revenues	42,900	172,800	174,000
Local Expenditures			
Net Increase (Decrease)	42,900	172,800	174,000

Summary of Legislation: This bill establishes a 1% Food and Beverage Tax for White County. This bill also creates a convention and visitor's bureau authority to use the tax revenue to promote tourism.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The Department of State Revenue (DOR) administers, audits, and collects local food and beverage taxes. For the year 2000, the Department administered, audited, and collected the Food and Beverage Tax at approximately \$0.48 per \$100 of revenue. The DOR's current resources are sufficient to absorb the additional costs associated with this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill gives the fiscal body of White County the option to adopt an ordinance to impose the 1% Food and Beverage Tax. Upon adoption of an ordinance to the effect, the fiscal body would be required to send a certified copy of the ordinance to the Department of State Revenue.

If the Food and Beverage Tax is imposed, the bill requires the fiscal body to establish the five-member Convention and Visitor's Bureau Authority (CVBA.) The CVBA will receive monthly payments of the Food

and Beverage Tax from the Treasurer of State on warrants issued by the Auditor of State. Revenue from the Food and Beverage Tax received by the CVBA from the Auditor of State would be placed in the Food and Beverage Tax Receipts Fund (FBTRF) established by the CVBA. All revenue in the FBTRF is to be used by the CVBA to promote tourism in White County.

Explanation of Local Revenues: This bill allows White County to adopt a 1% tax on food and beverages prepared and served for sale in White County. The estimated revenues are **\$42,900** for CY 2002, **\$172,800** for CY 2003, and **\$174,000** for CY 2004.

Background: According to the most recent U.S. Census data, total food and beverage sales in White County for CY 1997 were \$15,863,000. Based on this amount, the 1% Food and Beverage Tax would have generated an additional \$158,630, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the U.S. Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$158,630 projection is added to establish a CY 1997 baseline of \$174,493 for White County.

The average growth rate of food and beverage-related total sales in White County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 0.69%. This rate was used to project sales of food and beverages through CY 2004.

The effective date of the bill is July 1, 2002. As a result, White County could begin receiving revenue from food and beverage sales by the fourth quarter of CY 2002. A three-month lag is applied from the effective date of the bill to account for the county to pass an ordinance and then set up the mechanisms necessary to begin receiving revenue. The actual expected impact for CY 2002 would be one-quarter of the annual projection, or \$45,100. Following adjustment for the collection retainer by the retailer, the estimate would be **\$42,900**. Complete year collection would begin in CY 2003.

Five Percent Collection Retention by Retail Merchants: Under current law, a retail merchant remitting the Food and Beverage Tax may retain a collection allowance of one percent (1%) of the 1% Food and Beverage tax receipts as compensation for collecting and remitting the tax to the DOR. Under the bill, retail merchants would be able to retain a collection allowance of five percent (5%) of the 1% Food and Beverage tax as compensation. The 5% that would be allowed to be retained by retail merchants in White County is estimated at \$2,300 in FY 2002, \$9,100 in FY 2003, and \$9,200 in FY 2004.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: White County.

Information Sources: U.S. Census Bureau, Department of State Revenue.